



PARLIAMENT OF AUSTRALIA
HOUSE OF REPRESENTATIVES

TONY WINDSOR MP
INDEPENDENT
FEDERAL MEMBER FOR NEW ENGLAND

Shop 5
259 Peel Street
TAMWORTH NSW 2340

All Mail: PO Box 963
TAMWORTH NSW 2340

Ph: (02) 6761 3080

Toll Free: 1300 301 839

Fax: (02) 6761 3380

e-mail: Tony.Windsor.MP@aph.gov.au

Web Page: www.tonywindsor.com.au

Media Release

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Windsor to broker meeting over taxing water compensation

Calls for release of ALL documents

Independent Member for New England, Tony Windsor has offered to broker a meeting between the Parliamentary Secretary for Water, Malcolm Turnbull and the NSW Premier Morris Iemma or the appropriate Minister to clear up the ongoing buck passing over taxation of compensation payments made to NSW groundwater users for the loss of their water entitlements.

Mr Windsor has also made a "Freedom of Information" request for all documents relating to communications between the State and Commonwealth Governments over the establishment of the compensation package.

The original announcement made by the Prime Minister and then NSW Premier Bob Carr in July 2005, indicated that the Commonwealth and State Governments would contribute \$55m each and the irrigators would contribute \$50m through the cuts to their entitlements for an overall package worth \$160m.

The Federal Government then told irrigators that any money they received as compensation for the loss of their water entitlement would be treated as taxable income.

According to Mr Windsor, this means that in most cases the Federal Government's 1/3 contribution will be returned as tax receipts to the Government and irrigators will lose the benefit which was supposed to assist adjustment to a government policy change for the public good.

"The continuous blame game over the taxation of compensation payments to ground water users needs to be halted in its tracks with both Governments to come clean on their roles.

I have raised this issue many times in the Federal Parliament and whilst the Federal and State Governments argue about it, the groundwater users are not only losing water, they are also losing opportunity to diversify their production because they don't know their tax liability and can't invest their compensation in alternative farming options," Mr Windsor said.

The following sets out how the issue has progressed in the last twelve months following the announcement of the compensation package.

- 1 Member for Gwydir, John Anderson originally said that compensation payments should be taxed as income indicating that these types of payments had always been taxed as income however after much public disgust changed his view. Originally, the Prime Minister also agreed that they should be taxed as income.

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- 2 The Prime Minister then suggested earlier this year that the problem lay with the New South Wales Government as it was constitutionally their problem but on September 6, 2006 he said that he believed the payments were compensation for a lost asset and hence should be taxed under the capital gains tax provisions rather than as income.
- 3 In Question time on October 30 (yesterday), the Prime Minister reverted to his original position that it was all the fault of the New South Wales Government. He subsequently added to his answer after Question time saying discussions had taken place as to the wording of the offer of compensation document and were ongoing between the New South Wales and the Commonwealth Governments.

“The changes of stories and heart on this issue are very concerning to say the least.

Meanwhile, water users who were never told that taxation of the payments was ever on the agenda are still waiting for a straight answer.

I have proposed that to sort this problem out between the two governments that a meeting be held to thrash out the wording of the ‘offer of compensation’ document which if done correctly would then impact on the way the Australian Taxation Office interpret the taxability of the payment,” Mr Windsor said.

To try to get to the truth of the situation and help deliver a positive outcome for the groundwater users of New South Wales, Mr Windsor has initiated a ‘Freedom of Information’ request of the Commonwealth Government.

“I have initiated a Freedom of Information request to have correspondence between the two levels of Government made available for the benefit of the groundwater users across New South Wales and the communities that rely on these hard working people to see exactly what instructions and negotiations have taken place about the future of these people.

They have a right to know,” Mr Windsor said.

Mr Windsor said that the Member for Tamworth, Peter Draper was also addressing this issue in the NSW Parliament.

“Member for Tamworth, Peter Draper has a Private Members Bill before the NSW Parliament to ensure investment security for farmers.

Mr Draper’s Bill, the Water Management Amendment (Water Property Rights Compensation) Bill 2006 introduced earlier this year will guarantee compensation under the Land Acquisition (Just Terms Compensation) Act 1991 for the compulsory acquisition of water access licences and for the reduction in water entitlement.

If Mr Draper’s Bill is passed, the current disaster will not happen again,” Mr Windsor said.